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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
Item 25 ID #3208
RESOLUTION O-0045
FEBRUARY 11, 2004

R E S O L U T I O N

Resolution O-0045. Shell California Pipeline Company LLC (Shell California) requests authority to increase rates on their LAX Products System and their Ventura Products System. Shell California's request is approved.

By Shell California Advice Letter 4 filed on November 14, 2003

SUMMARY

This resolution approves Shell California's request for a 10 percent increase in rates on their LAX and Ventura Products Systems. Shell California is earning a sizeable negative rate of return on its LAX Products System and only a 0.15% rate of return on rate base on its Ventura Products System.

BACKGROUND

Advice Letter (AL) 4 requests rate relief to offset increased expenses.

With AL 4 Shell California submitted work papers showing estimates of revenues, expenses and rate base supporting their request. The supporting work papers show the following rates of return at Shell California's proposed rates.

Cal. P.U.C. Tariff	System	Rate of Return on Rate Base at Proposed Rates %
S-11	LAX Products	-9.69%
S-12	Ventura Products	2.82%

The rates of return at proposed rates are negative or far below a reasonable rate of return. Shell California's current return on its LAX Products System is a

negative 14.95% and on its Ventura Products system the rate of return is 0.15% on rate base. Shell California's work papers show that even after a 10% rate increase the LAX Products System would earn a negative 9.69% rate of return and the Ventura Products System would earn only a 2.82% rate of return on rate base.

In response to an Energy Division data request, Shell California said increased operating costs of right-of-way rentals, property taxes and materials and supplies necessitate their requested increase of 10 percent for each of the tariff schedules shown in the table above.

PU Code 455.3 provides that oil pipeline utilities are required to give the Commission and all shippers 30 days notice of any rate increase, and that the rate increase may go into effect after the 30-day period, prior to Commission approval. However, the amount of the rate increase prior to Commission approval shall not exceed 10% in any 12-month period. With AL 4, Shell California requested a 10% rate increase, and put the rate increase into effect on January 1, 2004. Shell California had not requested a rate increase for the LAX Products System or the Ventura Products System within the previous twelve months.

NOTICE

Notice of AL 4 was made by publication in the Commission's Daily Calendar. Shell California states that a copy of the Advice Letter was mailed and distributed in accordance with General Order 96-A.

PROTESTS

No protest to Advice Letter 4 was filed.

DISCUSSION

The Commission reviewed Shell California's supporting work papers and found that Shell California's request for a rate increase is well supported. The negative and small rates of return show the need for rate relief. Even after the 10% increases in rates the LAX products system would earn a negative rate of return of 9.69% and the Ventura Products system would earn a 2.82% rate of return. We will grant Shell's request.

Pursuant to PU Code Section 455.3, the requested rate increase is effective January 1, 2004.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(3) provides that this 30-day period may be reduced/waived by Commission adopted rule.

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. Shell California's AL 4 requested a 10 percent increase in rates for its LAX Products and Ventura Products Systems.
2. Shell California's LAX Products System operates at a sizeable deficit that is not expected to be eliminated with a 10 percent increase in rates.
3. Shell California's Ventura Products system operates at a 0.15% rate of return, which is below a reasonable level.
4. Based on those rates of return it is reasonable to grant rate relief to Shell California's LAX Products system and Ventura Products Systems.

THEREFORE IT IS ORDERED THAT:

1. Advice letter 4 is approved. Shell California's proposed rates are effective January 1, 2004.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 11, 2004 the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director